Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

In re:	)	
	)	
Advanced Television Systems and Their Impact Upon the Existing Television Broadcast Service	)	**MM Docket 87-268**

COMMENTS OF FREEDOM NEWSPAPERS, INC. ON THE SECOND FURTHER NOTICE OF PROPOSED RULEMAKING

Freedom Newspapers, Inc. ("Freedom") submits these comments in response to the Commission's Second Further Notice of Proposed Rulemaking in the above-referenced proceeding ("Second Further Notice").

I. INTRODUCTION

Freedom is the parent corporation of the licensees of five full-service commercial television stations: WLNE(TV), New Bedford-Providence, Massachusetts; WRGB(TV), Albany-Schnectady-Troy, New York; WTVC(TV), Chattanooga, Tennessee; KFDM-TV, Beaumont-Port Arthur, Texas; and KTVL(TV), Medford, Oregon. All of these stations operate in small or mid-sized markets. As an experienced operator of these stations, Freedom is well-qualified to comment on the effect of the Commission's rules and proposals for the implementation of advanced television ("ATV").

Freedom continues to support the Commission's efforts

to make ATV a reality. As Freedom has previously noted, however, in order to continue to provide existing programming via ATV, each of the 1500 operating TV stations will have to spend millions of dollars. This existing service will remain strong and viable only if a realistic ATV implementation plan is adopted that takes into account the financial situations of many small and mid-sized market stations.

In comments filed in support of the petitions for reconsideration of the Second Report and Order/Further Notice of Proposed Rulemaking in this proceeding, Freedom urged the Commission to consider the disastrous economic forces that will overtake many stations in small and mid-sized markets if the Commission's ATV implementation plan does not adequately account for the real-life problems many stations face.

Freedom's concerns have been echoed by others in the industry. Mr. Daniel Burke, the CEO of Capital Cities/ABC, has recently warned that the huge costs of ATV may bankrupt many stations in small markets and drive them off the air, thus depriving the networks of a national audience and possibly destroying the networks themselves.[1/] As Freedom has suggested, this may well result in the loss of local news and community oriented programming outside large urban areas.[2/] In addition, Mr. Philip Lombardo, the managing general partner of Citadel

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1. See Trachtenberg, High Definition TV Has Networks, Outlets Worried About Costs, Wall St. J., Nov. 11, 1992, at A1, col. 6 (attached as Exhibit 1).

2. See also Wharton, Not So Fast on HDTV, ABC's Burke Warns, Daily Variety, Oct. 2, 1992 at 4 (attached as Exhibit 2).

Communications Company, Ltd., which operates stations in mid-sized and small markets[3] has explained that the capital expenditures required for ATV conversion simply are not affordable to some stations, given recent flat revenues and the reluctance of banks to lend to the industry.[4]

On top of the financial burdens presented by the current ATV implementation schedule, the Commission's ATV allotment proposal present issues that may affect the ability of certain stations to compete in the ATV marketplace.

II. PLANS TO ALLOT ATV CHANNELS BASED ON CURRENT TRANSMITTER SITES MUST ACCOUNT FOR UNUSUAL CIRCUMSTANCES

In the Second Further Notice, the Commission proposed taking into account existing NTSC transmitter sites in the ATV allotment process.[5] By joining the Joint Broadcaster Comments that are being filed today by numerous local broadcast companies, the networks and others, Freedom has indicated general agreement with the Joint Broadcasters' proposal to adopt an allotment/assignment approach that is based on replication/coverage maximization principles. However, Freedom has one reservation about any allotment plan that slavishly adheres to existing transmitter sites: current inequities in the NTSC allotment

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3. WMGC-TV, Binghamton, New York; WVNY-TV, Burlington, Vermont; KCAU-TV, Sioux City, Iowa; and KCAN-TV, Albion, Nebraska. Mr. Lombardo also is the President of the managing general partner of Coronet Communications Company, Limited Partnership, licensee of WHBF-TV, Rock Island, Illinois.

4. See Trachtenberg, n.1, supra.

5. Second Further Notice at ¶ 35.

scheme should not thoughtlessly be perpetuated in the new ATV service.

A. Using Existing Transmitter Sites May Perpetuate Current Inequities.

In the Second Further Notice, the Commission requested comment on any circumstances where it might be desirable to evaluate ATV allotments on the basis of sites other than those occupied by existing TV stations.[6/] WLNE-TV, Freedom's Channel 6 station in the New Bedford-Providence market, presents a real-life example of one such circumstance.

In order to understand the possible effect of the ATV allotment process on WLNE, it is necessary to understand WLNE's history.

WLNE's New Bedford transmitter location historically has been a handicapped one. In the Commission's attempts in the early 1960's to establish three competitive, off-air VHF network stations in the New Bedford-Providence market, it "shoehorned" Channel 6 into its present site through the expedient of sanctioning a transmitter site that is short-spaced to three other VHF stations. Because WLNE's present transmitter site is disadvantageously situated for the existing off-air antenna orientation in the market, off-air viewers of the station have received a markedly inferior signal from WLNE, compared to the signals of the other major network stations in the market.

The original authority to construct WLNE's Channel 6 station specified a transmitter site that was off the mainland of

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6. Id.

Massachusetts, on Martha's Vineyard.[7] Eventually, the transmitter site was moved to its present location in Tiverton, Rhode Island.[8] That site is short-spaced to co-channel Stations WRGB, Schnectady, New York and WCSH-TV, Portland, Maine, and is also short-spaced to adjacent channel WCVB-TV (channel 5), Boston, Massachusetts. Despite these short spacings, the Commission concluded "that the proposal [for a Tiverton location]. . . represents the most practical solution for bringing a much needed VHF service to Providence and southern Massachusetts."[9]

However, the "move-in" to Tiverton has had a substantial public interest drawback: off-air antennas in the market generally are oriented toward the north, away from WLNE's transmitter site. WLNE's site is 19 miles to the south of the Rehoboth antenna farm where the transmitter sites of other stations in the New Bedford-Providence market are located. Viewers with their antennas oriented toward Boston can receive the numerous Boston stations, most of which have their transmitting towers located at the antenna farm in Needham, Massachusetts. Because of the geographic relationship of Needham to Rehoboth, many viewers in the New Bedford-Providence market can orient their antennas to receive both the Boston and Providence stations.

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7. See WTEV Television, Inc., 23 Rad. Reg. (P&F) 1050b, 1052 (1962).

8. See File Nos. BMPCT-6524; BLCT-1719.

9. 23 Rad. Reg. at 1056.

Because of the predominant off-air antenna orientation to pick up the Providence and Boston television stations, viewers of WLNE receive an inferior quality signal compared to the other two network stations in the market. The Commission's plan to use WLNE as a short-spaced hybrid station serving both New Bedford and Providence has not fully achieved either of its goals, and has unintentionally hindered the station's ability to serve viewers off-air.

B. Perpetuating NTSC Allotment Problems in ATV Would Impose Onerous Burdens.

WLNE has labored with its transmitter site problems for about thirty years. If this inequity were continued in the ATV service, the Commission's new ATV scheme would impose an onerous regulatory "double-whammy" on WLNE. First, WLNE must expend millions of dollars to construct an ATV system under the aggressive schedule imposed by the Commission. And it must bear the concomitant financial burden of incurring substantial power costs during eight years of simulcast operations. Second, WLNE would be faced with a technical impediment to its ability to generate revenue from its ATV service --- a service that, from the beginning, does not present any realistic short-term opportunities to produce additional revenue.

Moreover, there is no way to know whether cable operators will have the capacity (or the desire) to carry a full complement of simulcast ATV signals, along with their existing

NTSC signals.[10/] Therefore, it is possible that ATV service will be provided primarily over-the-air for a while. During that period, WLNE's current problems at NTSC actually may be exacerbated in the ATV service.

Any such reception problems in the ATV service would further exacerbate the problems of a station that must expend considerable sums to construct its ATV facilities.

C. ATV Allotments Present Opportunities To Restore Competition.

ATV presents an opportunity to correct WLNE's historical disadvantage and to finally allow full competition in its market. This can be accomplished by building flexibility into the ATV allotment process. Freedom therefore supports the Commission's proposal to allow a licensee to conduct its ATV and NTSC operations at different sites, where the alternate ATV site would meet minimum spacing requirements and adequately serve the community of license.[11/]

Once an ATV transmission standard is adopted, and as the Commission prepares a "final" proposed ATV allotment table, Freedom also encourages the Commission to accept requests for changes in antenna sites based on situations such as WLNE's, in

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10. As the Commission is aware, the Cable Television Consumer Protection and Competition Act of 1992 contains "must carry" provisions that may benefit broadcasters. However, a number of lawsuits have been filed that challenge these provisions. Even if these provisions are upheld, it is unclear how and whether they will apply to the carriage of ATV simulcast transmissions.

11. The Commission has not yet determined what ATV contour will be required to be placed over a station's community of license. Freedom urges the Commission to use a contour that is no less in area than the required NTSC contour.

the same way that the Commission intends to consider negotiated allotment/pairing agreements.[12/]

Moreover, until the Commission issues its proposed "final" ATV allotment table, it is not possible to determine how much flexibility stations will have to relocate from their assigned ATV transmitter sites, and also maintain required spacing. But given the current frequency congestion in the northeast, it is possible that little movement will be allowed under the separation standards. Freedom therefore encourages the Commission to adopt procedures to grant short-spacing waivers for new ATV sites, in circumstances where the licensee suffers from these types of antenna orientation problems, or where the allotted site is unavailable because of tower problems.

III. CONCLUSION

In light of the yet undeveloped transmission technology, and an unarticulated transmission standard, the Commission's ATV allotment proposal leaves many questions unanswered. For this reason, the full effect of the Commission's proposal to allot ATV channels to current NTSC sites cannot be determined. One thing is clear: requiring broadcasters to

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12. See Second Further Notice at ¶¶ 7, 51 & n.55. Because an ATV transmission standard has yet to be selected, and test data is still preliminary, it is unclear whether the transmission characteristics of certain ATV systems may ameliorate WLNE's current problem with antenna directivity. Even after an ATV transmission standard is adopted, it may not be possible to predict with any certainty what type of reception problems will arise due to antenna orientation. These problems may not be known until actual ATV operation commences. For this reason, flexibility to relocate must be maintained even after ATV service is initiated.

expend considerable sums for ATV without allowing them to rectify problems with current transmitter sites would impose an unfair burden and an unreasonable impediment to a new service. Freedom urges the Commission to adopt policies that allow flexible solutions to these problems, as set forth above.

Respectfully submitted,

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Scary Picture

High-Definition TV Has Networks, Outlets Worried About Costs

They Fear the Revenue Gains May Be Slight if People Refuse to Buy $3,500 Sets

Dividing Rich From Poor?

By JEFFREY A. TRACHTENBERG
Staff Reporter of THE WALL STREET JOURNAL

Nestled in his seat in St. Louis's Fox Theater, Stephen Merren marveled at the baseball game unfolding on a 28-foot-wide screen. The panoramic view made him feel as though he were inside the park, and the picture was so clear he could practically see the seams on the ball. "I remember thinking that this is the next generation of television," says Mr. Merren, who manages station WKTV in Utica, N.Y.

Four years after his first long look at high-definition television, alarm has replaced his sense of wonder. "It's definitely light years ahead of everything else," he says. "But we can't afford the millions of dollars we'll need to invest. I don't see how others will be able to pay for it, either."

Yet Mr. Merren will soon have little choice. In the most dramatic development in television since David Sarnoff broadcast black-and-white pictures from the 1939 World's Fair, high-definition TV will probably reach the U.S. market in 1995. TV stations that don't invest in it run the risk of being driven out of business by more aggressive competitors, such as HDTV satellite or cable systems, and later by Federal Communications Commission rules.

Startling Improvement

HDTV, in case you haven't seen it, is a knockout. Designed to match movie-theater viewing, it has twice the clarity of today's TV pictures, richer colors and sound quality rivaling a compact disk's. The screen is wider and more rectangular than square. "You'll see all the slaves in 'Spartacus' and all the grains of sand in 'Lawrence of Arabia,' " says Robert Siegenthaler, president of broadcast operations and engineering at Capital Cities/ABC Inc.'s ABC Television Network Group.

Yet the new technology is likely to wreak havoc on much of the industry. TV stations, the major broadcast networks, cable channels and local cable systems may have to spend $15 billion to $20 billion to achieve HDTV capability, $68 billion in the first 10 years. The complex HDTV sets will start out costing about $3,500, largely because of the expense of making the big screens required for the best pictures. Even by the decade's end, the sets are likely to run about $2,000, six times the cost of a color set today.

The Forces at Work

Who asked for a clearer picture in the first place? Viewers, many of whom have deserted network television in favor of cable channels and videocassette recorders, complain about program quality, not technology. Even network executives say their biggest challenge is to develop funnier comedies and better dramas. "A 10% improvement in technical quality won't induce you to watch a show if you don't like it," Mr. Siegenthaler says.

The push toward HDTV is coming from federal regulators who see it as part of a swing toward digital technology, politicians who want to overtake the Japanese, and equipment makers who anticipate billions of dollars in sales. Encouraged by Washington visionaries such as FCC Chairman Alfred Sikes and Congressman Edward Markey, they contend that HDTV is the roadway into the next century. And in many ways it is, offering, for example, a new dimension to interactive television and enabling people to use TV sets like computers.

But who will pay for an overhaul of the TV infrastructure? Cable subscribers, already angered by five years of climbing bills, may be loath to ante up. And broadcasters may not be able to raise their ad rates to cover the cost. "Network television is a commodities market, and pricing reflects supply and demand, not picture quality," says Paul Schulman, president of a media-buying firm bearing his name.

Unfortunate Timing

In many ways, the HDTV push couldn't come at a worse time. The three major networks combined are taking in about $9.4 billion this year in national advertising, but only ABC made money in 1991. Yet each of the three will probably have to spend up to $100 million gearing up for HDTV over the next few years, plus about $50 million apiece to equip the handful of stations they own.

Local stations, too, face re-equipment costs that many will find prohibitive. Last year, more than a third of the nation's 1,076 commercial TV stations ran at a loss, and many more are mired in debt and in their worst ad slump in years.

"I don't see any way we can afford this," says Philip Lombardo, owner of Citadel Communications Co., which operates four stations in such markets as Sioux City, Iowa, and Rock Island, Ill. Capital expenditures at each of his stations range between $75,000 and $200,000 a year; investing a minimum of $1.2 million simply to pass along digital signals will be impossible, he says. He notes that since 1989 his revenues have risen only 2% to 3% annually

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Scary Picture: Cost Of HDTV Worries Networks, Stations

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and that banks are hesitant to lend to already-indebted broadcasters.

Moreover, experience justifies broadcasters' concern. Seven years ago, stereo TV was promoted as the most exciting improvement since the introduction of color. But although more than a third of the 20.2 million color sets expected to be sold this year will have stereo capability, many broadcasters that invested in it are disappointed. "Our viewers never cared," says Mr. Merren in Utica.

Even cable operators are worried, although their initial investment will be much less than that of broadcasters. Getting started in HDTV — delivering, say, just five channels in the new format — will cost the nation's 11,070 cable systems more than $250 million. The cost will be many times higher if HDTV becomes a hit; many cable executives expect future cable systems to eventually offer 200 or even 500 channels and say their HDTV costs will be rapidly passed on to subscribers.

For the industry, "it's going to be daunting at first because consumers aren't going to rush out to buy new HDTV sets," says Richard Green, chief executive of Cable Television Laboratories, the industry's research consortium.

Despite all the looming difficulties, key decisions about HDTV's future will be made soon. Next year, the FCC will choose from five rival manufacturing groups to set an HDTV standard. Just two years later, the first HDTV sets will be rolling off assembly lines, and some local TV stations will begin HDTV transmissions. By 1999, the FCC will require stations to begin broadcasting HDTV or risk losing their license to do so — though they also must continue beaming old "analog" signals for 15 years. After the year 2008, the FCC has tentatively decreed, HDTV will be virtually the only television available.

The Early Buyers

The people most likely to buy HDTV sets early on will be upscale TV fanatics—a highly desirable audience for advertisers and one that local broadcasters can least afford to lose. But lower-income families may have to do without television altogether, despite its role as a critical source of news and entertainment, if HDTV-set prices remain high. "This is an information system which will truly separate rich from poor," warns Andrew Jay Schwartzman, executive director of the consumer-oriented Media Access Project.

In addition, Walt Ciciora, technology vice president at Time Warner Inc.'s big cable unit, notes that "only a small number of people have television-viewing rooms" spacious enough to hold the large HDTV screens — many people say the smallest will measure at least 35 inches on the diagonal. "You shouldn't penalize the whole population" to please the wealthy few, he says.

Federal regulators, however, strongly disagree. They contend that prices will be affordable by 2008 and add that HDTV signals can be displayed on existing receivers via low-cost converters.

The switch to HDTV will render most equipment obsolete because it's a digital medium in which pictures and colors are transmitted through the 1s and 0s of computer code rather than the analog waves used today. Even small stations will need new transmitters, antennae, cameras and editing equipment. For production alone, the ABC network will need new editing equipment, 79 studio cameras and 10,000 HDTV sets, plus other gear.

Small Stations at Risk

Although broadcasters in big markets such as New York, Los Angeles and Chicago can easily handle the investment, Daniel Burke, chief executive of Capital Cities/ABC, recently warned that the huge costs may bankrupt many TV stations in small markets and force them off the air. That could deprive a network of a nationwide audience and possibly destroy the network itself.

In Erie, Pa., Mike Csop, chief engineer for WICU-TV, believes he would have to spend $3 million to $4 million for a new tower, transmission lines, antenna and transmitter. "HDTV will put us out of business," he declares. "I spend the same amount as the top 50 markets to put on a picture, but our revenues are much less." In fact, the NBC affiliate's revenues have declined steadily since 1988 to about $5 million today; WICU, once the only station in Erie, now competes with four others in town.

Others worry that if rivals in cable and direct-satellite switch to HDTV first, they will land the best programming. Stations that don't switch to HDTV may be reduced to only news and talk shows — much like what happened some years back when the FCC ruled that AM radio stations couldn't offer stereo sound and many music stations migrated to FM. Although AM stations were ultimately permitted to offer stereo, relatively few do.

Bemused by all the hand-wringing, FCC officials note that the broadcast industry itself first pushed for high-definition television. Only after congressional hearings in the mid-1980s, says Rep. Markey, a Massachusetts Democrat, did consumer-electronics makers begin to realize the implications of HDTV.

How It Started

High-definition television traces its start back to the late 1960s, when Takashi Fujio set out to develop a new world-wide standard for TV signals at the NHK Labs of Japan Broadcasting Corp. The Japanese push became a hot issue in late 1986, when two American television associations sponsored a demonstration, beaming an HDTV signal to screens in the Capitol and FCC headquarters. Amid fears that the Japanese were stealing a march, U.S. broadcasters asked the FCC to look into the new technology. Rep. Markey, chairman of a telecommunications subcommittee, then held two years of hearings on what it would mean if the Japanese set the new TV standard. "I realized our consumer-electronics industry was in trouble if we didn't find a way to compete," he says.

At one point, the American Electronics Association asked Congress for $1.35 billion to help American companies fight the battle. The FCC set a competition in the U.S. to devise an American standard, specifying that it must be compatible with the old signal to avoid rendering obsolete the TV sets now in use.

Then, almost overnight, the picture changed. In June 1990, General Instrument Corp. announced that it had developed a new system far better than the Japanese standard. Instead of NHK's old-technology analog waves, General Instrument had crafted an entirely digital system: Signals could be manipulated and stored like any other computer data. That offered new technical capabilities, including practical interactive television. Shortly afterward, several other manufacturers announced they, too, had developed digital systems.

The race was on.

Is It Worth the Cost?

HDTV proponents contend that its benefits fully justify the costs. "This is going to go beyond just better pictures and sound," FCC Chairman Sikes says. "There will be multimedia services which, over time, will also become attractive." He believes that broadcasters' conversion costs will drop quickly and that consumer prices will, too; he notes previous cases of new electronic equipment that fast became affordable to the middle class.

Others disagree. While costs will fall, manufacturers who contend that HDTV sets will drop far under $2,000 by the turn of the century are "dreaming," says Ron Sommer, president of Sony Corp. of America. He should know. Sony is already manufacturing HDTV sets for Japan, where, after aggressive price-cutting, they still cost about $8,000.

Nonetheless, manufacturers anticipate a bonanza. A study by the Advisory Committee on Advanced Television Service, an industry group, says consumers, who now spend nearly $7 billion a year on color-TV sets, could shell out $38.8 billion to $68.2 billion in the first 10 years of HDTV. Larry Darby, a consultant in Washington, D.C., suggests that viewers will spend up to $145 billion between 1998 and 2008. Neither estimate is adjusted for inflation.

To some degree, HDTV is already helping rebuild the U.S. consumer-electronics industry. Robert Rast, a vice president of General Instrument's Videocipher, says HDTV has created many U.S. research and development jobs that might have gone overseas. And because HDTV sets have large screens, some of the manufacturing may be done in the U.S. to save on shipping costs, he says.

Some companies competing to create an HDTV standard say that winning may open lucrative markets to them. American Telephone & Telegraph Co.'s Bell Labs already has a large semiconductor plant in Allentown, Pa., that produces chips mostly for its own use. But if its partnership with Zenith Electronics Corp. and Scientific-Atlanta Inc. succeeds, "selling chips for television sets could be a huge market for us," an AT&T spokesman says.

But all this doesn't help consumers or broadcasters. "The real dilemma of HDTV is that it holds such seductive promise but is not yet—and may never be—consumer-driven at its core," Capital Cities/ABC's Mr. Burke commented recently. And, says Mr. Merren at WKTV in Utica, "HDTV isn't a revenue builder for stations. It will mean risking everything." The upshot, he adds, may be fewer TV stations serving fewer people in small markets.

The Development of High-Definition TV

[illegible]: Takashi Fujio begins work on a new world-wide standard for television signals at the NHK Labs of Japan Broadcasting Corp.

February [illegible]: A Japanese version of high-definition television is demonstrated in North America.

December [illegible]: An HDTV signal is beamed to TV screens in the rotunda of the [illegible] FCC headquarters. [illegible]

Mid-[illegible]: The American Electronics Association asks Congress for $1.35 billion to fund HDTV growth.

March [illegible]: FCC Chairman Alfred Sikes sets exact goals for implementation of an HDTV transmission standard.

June [illegible]: General Instrument Corp. announces [illegible] HDTV [illegible]

ANDREWS OFFICE PRODUCTS CAPITOL HEIGHTS, MD (K)

FINANCE

NOT SO FAST ON HDTV, ABC'S BURKE WARNS

BY DENNIS WHARTON

WASHINGTON – Capital Cities/ABC prez Daniel Burke yesterday warned federal regulators that the switch to high definition TV could imperil the survival of small stations.

Burke, in a speech to the Assn. for Maximum Service Television with Federal Communications Commission members and staff in attendance, warned of the "law of unintended consequences" in developing communications policy. "My concern is the possibility of undermining the universal over-the-air system of television by not thinking through every possible consequence of changes now being planned," he said.

Burke said the high cost of converting a station to HDTV – which some observers have estimated at between $2 million and $10 million – might drive small broadcasters out of business.

"Could this mean the end of a universal, free over-the-air delivery system as we know it?" he asked. "And if a significant number of stations do close their doors, could the loss of coverage cripple the networks, which are already fragile financially despite their size? Could we become a nation of urban 'haves' and small community 'have nots'?"


Burke

Burke said the loss of small stations would hurt the "concept of localism" whereby broadcasters offer local news and information.

The FCC is slated to pick an HDTV standard next year. Broadcasters will then have 15 years to fully convert signal delivery to HDTV.

Burke offered four suggestions for the FCC as the HDTV conversion process develops: that universal over-the-air TV service be continued throughout the U.S.; that the commission consider how its actions might hurt small broadcasters' ability to deliver local news and public service; that the FCC ensure that new HDTV transmissions not interfere with current broadcast service during the transition; and that coverage provided local stations on new HDTV channels be equal to the current reach.

Burke's go-slow approach was in sharp contrast to earlier comments in the day from FCC chairman Al Sikes. Sikes noted that "there are some who now sound a note of anxiety" over the prospects for HDTV. However, Sikes said, "Now is not the time to get weak-kneed. Wead-kneed individuals and industries fall behind in dynamic markets."